

# Middle Class Tax Cuts

## Brenda's Story: Mortgage Debt Forgiveness

In 2013, more than 11,800 Minnesota families lost their homes to foreclosure. Thousands more sold their homes at a loss in a short sale. But thanks to new tax cuts signed into law by Governor Mark Dayton, Minnesotans who lose their home to foreclosure or sell their homes at a loss will not face the added burden of paying thousands of dollars in additional state taxes.

Like tens of thousands of Minnesotans who lost their jobs during the Great Recession, Brenda Scandin of Mound never thought it could happen to her. Brenda had a good job working as a finance professional, with decades of business experience. But after losing her job during the recession, Brenda and her husband began having a difficult time making their mortgage payments.

After trying to sell their home for six years, the Scandins were forced sell at a loss in a short sale. Altogether, they lost over \$500,000 on the sale and saw their credit score drop dramatically overnight. Despite never seeing a penny from the home sale, Brenda and her husband were still expected to pay between \$30,000 and \$35,000 in state taxes.

Early this session, Governor Mark Dayton and the DFL Legislature passed new middle class tax cuts that will benefit Brenda Scandin and more than 1 million Minnesotans across the state.

As part of those tax cuts, Minnesotans like the Scandins will not have to pay state income taxes on "shadow income" caused by home foreclosures or canceled debt. This new tax cut – which took effect immediately after Governor Dayton signed the new tax cuts into law – will save Brenda and her husband as much as \$35,000, at a time when they need it most.

### Middle Class Tax Cuts

This year, Governor Dayton and the Minnesota Legislature worked quickly to enact \$508 million in tax cuts that will benefit over 1.2 million middle class Minnesotans, and thousands of Minnesota businesses. Some of those tax cuts took effect immediately. The new home foreclosure and short sale tax forgiveness provision included in the tax cut bill is just one of many new initiatives that will benefit families across Minnesota – including Brenda Scandin.



*Because of the middle class tax cuts signed into law by Governor Mark Dayton, Brenda Scandin was able to avoid up to \$35,000 in taxes after selling her home at a loss in a short sale.*



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